

7 May 2019

Text for Pipeline Web-Pages

Infrastructure Pipeline

The Infrastructure Transactions Unit is prototyping a visible pipeline of anticipated government infrastructure projects. The first iteration, developed in the lead-up to the establishment of the New Zealand Infrastructure Commission, Te Waihanga (the Commission) in late 2019, presents data from five capital-intensive agencies.

Together these five departments and Crown entities have identified 174 projects, with an estimated value of over \$6.1 billion as having funding certainty, or near certainty, in the pipeline. While a level of certainty is signalled, final approvals may be needed by Cabinet, Ministers, or at board and executive level, before a project actually comes to market. This will depend on project risk and value.

This prototype is the first step in providing the infrastructure market with better information about the timing, sequencing and scale of future credible and committed infrastructure projects. It provides a solid foundation that we will build on and refine. By the time the Commission is up and running in late 2019, the aim is that all central government agencies, as well as most local government agencies, will be represented in the pipeline. Over time private sector projects will also be added.

When fully developed, the pipeline will help give the infrastructure market greater certainty about future infrastructure projects, to help it gear-up capacity and capability to deliver. It will also inform the Commission's thinking as it develops a 30-year strategy to address New Zealand's infrastructure needs.

The complexities involved in developing this first iteration of the pipeline have highlighted the need for a phased approach to this work, as well as the need for better quality infrastructure data – an issue that the Commission will help address.

The data behind the pipeline will be updated quarterly and dynamically as significant projects are announced. The next update will be in early June, to reflect Budget 2019 decisions. While every effort has been made to ensure accuracy, important caveats should be noted.

Caveats

The pipeline information needs to be considered in the context of the following caveats:

- This first iteration of the pipeline contains data from five central government agencies only. Other agencies will be added in future iterations.
- We have included only those projects that we have assessed as credible and certain (or near certain) in coming to market. Some known or anticipated projects will be included in future iterations when agencies have firmed up their intentions.

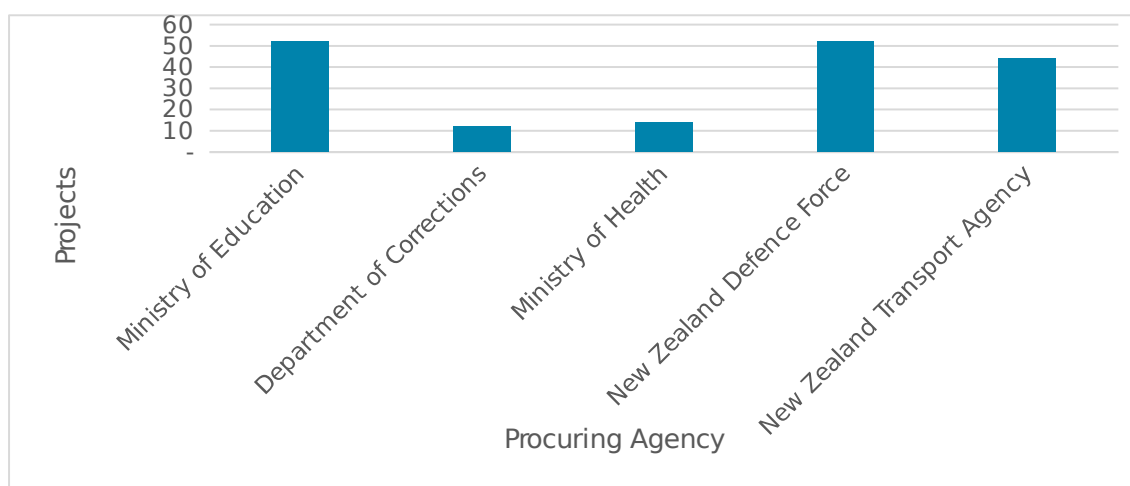
- The data is partly incomplete because of the absence of specific information on the timing of project phases and project value. In the absence of specific values, ranges have been used for this iteration.
- Information on expected or anticipated project phasing, where provided, has been included to the nearest quarter.
- The pipeline does not include any ICT-related infrastructure activity.

Analysis of the pipeline

The prototype pipeline is initially focused on five capital intensive government agencies:

- The Department of Corrections
- The Ministry of Education
- The Ministry of Health
- The New Zealand Defence Force and
- The New Zealand Transport Agency

There are 174 projects in the pipeline. As the pipeline matures in both quantum and breadth a greater level of pipeline data and associated analysis will be available.



Agency	Number of Projects in Pipeline
Department of Corrections	12 (7%)
Ministry of Education	52 (30%)
Ministry of Health	14 (8%)
New Zealand Defence Force	52 (30%)
New Zealand Transport Agency	44 (25%)
Total	174 (100%)

Project Phase

The five agencies have estimated dates for the different project phases from business case through to project completion. This does not include the phasing of capital spend.



Project Phase	Number of Projects in Pipeline
Business / Investment Case Phase	84 (48%)
In Procurement	72 (41%)
Approaching / Under Construction	18 (10%)
Project Complete	-
Total	174

As expected, given the initial stage of the pipeline, a large number of projects are at the business case phase (48% or 84 projects). Reference to the business case phase in the pipeline means that commitment has been given to progress work to the point of final approvals. It does not mean that there is absolute certainty that the project will progress beyond this point.

Different levels of approval are required under [Cabinet Office circular \(15\) 5](#). The government's [Investment Management System](#) requires that for most investments a business case is developed prior to final approval.

The majority of projects (55 per cent or 96 projects) are expected to be completed between 2019 and 2021.

Project Value

For the purposes of the prototype pipeline, the agencies provided the Treasury's Infrastructure Transactions Unit with value ranges for each of the

projects, rather than precise values. Some projects are still in business case phase and the project value will depend on final approvals.

The Infrastructure Transaction Unit has estimated the total value of the pipeline at \$6.1 billion. At this stage this figure should be viewed with caution.

Of those projects where a value range has been disclosed, 80 per cent of the projects in the pipeline are small i.e. below \$25 million - primarily school infrastructure and defence initiatives.

Projects in the range of \$25-50 million account for 8 per cent of projects (where a value range has been disclosed) - primarily transport, corrections and health initiatives.

There are 10 projects valued at over \$100 million, including the new [Dunedin Public Hospital](#).

Agency Summary

The Ministry of Education and New Zealand Defence Force are together responsible for 60 per cent (104) of the pipeline projects.

All of the New Zealand Defence Force's 52 projects are in the business case phase. As part of the Defence Estate Regeneration Programme, all projects will require individual business case approval. The projects represented by the New Zealand Defence Force are anticipated to span housing, transport, ports and airfield infrastructure as well as the development of utilities, bases and hospital facilities.

The Ministry of Education project pipeline comprises 52 current projects, all of which are nearing or are currently in procurement. The Education infrastructure initiatives are a split between refurbishment of current school assets or investment in new school property with the majority of projects expected to be delivered within the Auckland region.

The New Zealand Transport Agency (NZTA) has included 44 projects in the pipeline at this time. The majority of these NZTA projects are subject to funding.

The Ministry of Health is responsible for 14 projects, including the [new Dunedin Public Hospital](#) representing three separate projects:

- site clearance commencing 2020
- the Ambulatory Services Centre Stages 1 and 2, and
- the Acute Building and remainder of the campus.

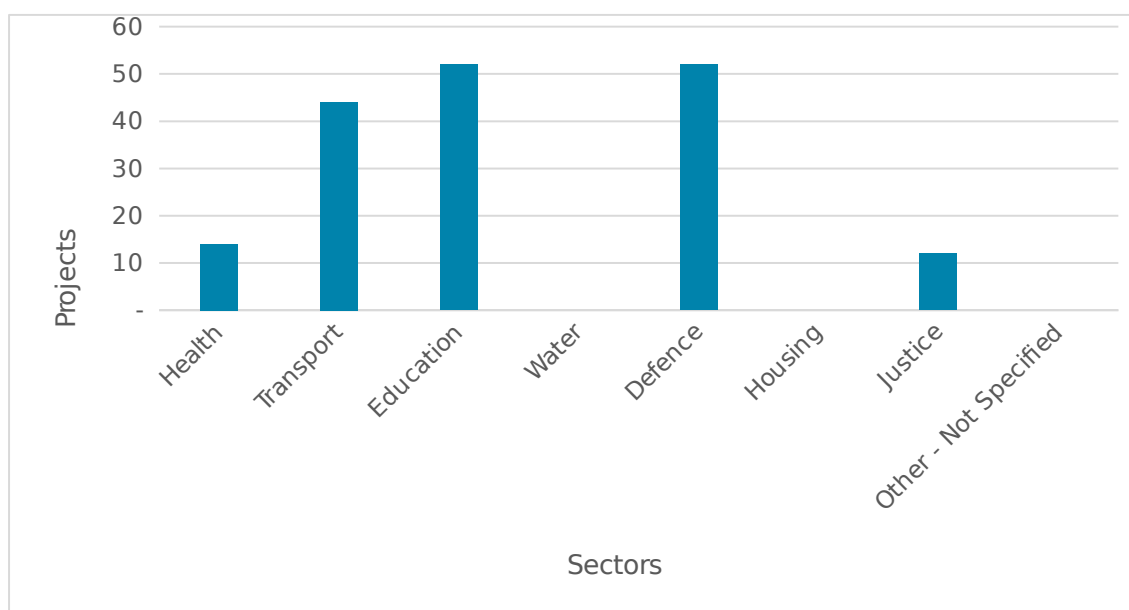
The Department of Corrections is responsible for 12 projects in the pipeline, including the [Waikeria Prison development](#) project which is already in construction. The majority of the Department of Corrections' infrastructure investments are targeted toward prison capacity and facility improvements. Twelve of the Department's projects are currently under construction with the remaining four initiatives nearing or currently in procurement.

Further information on the pipeline projects by agency/sector is available [here](#) (LINK TO PAGE). Select individual projects on the tabular (LINK) and timeline (LINK) display links for further information on that project.

This information will be updated in early June, after Budget 2019.

Sector Analysis

Because the pipeline is a prototype, each sector view is currently represented by only one agency. This will change as the pipeline expands to encompass more agencies and organisations across sectors.



Projects by Sector	Number of Projects in Pipeline
Health	14 (8%)
Transport	44 (25%)
Education	52 (30%)
Water	-
Defence	52 (30%)
Housing	-
Justice	12 (7%)
Other - Not Specified	-
Total	174 (100%)

Education

There are 52 Ministry of Education projects in the pipeline, the majority of which are expected to be in procurement in the last half of 2019 and the first half of 2020. These projects are small – 27 are expected to be under \$5 million and a further 25 between \$5 and \$25 million. They are predominantly new build school developments and refurbishments of current school assets. All will be procured as construct only.

Defence

All of the New Zealand Defence Force projects represented in the pipeline are part of the [Defence Estate Regeneration Programme](#), and all are in the business case phase. These projects are anticipated to span housing,

transport, ports and airfield infrastructure as well as the development of utilities, bases and hospital facilities. The 52 defence projects vary in value, with 21 projects below the \$5 million range and two projects of between \$100 and \$250 million.

Transport

The 2018 Government Policy Statement on land transport (GPS) presents a change in direction for government transport investment, with a particular focus on safety improvements. As a result, the transport sector is experiencing a shift from large scale to smaller scale projects. Twelve state highway improvement proposals have been identified as being in need of re-evaluation to ensure they give effect to the GPS and achieve value for money - <https://www.nzta.govt.nz/planning-and-investment/national-land-transport-programme/project-re-evaluations/>

The New Zealand Transport Agency (NZTA) has included 44 projects in the pipeline at this time. The majority of these NZTA projects are subject to funding.

Health

While there are only 14 Ministry of Health projects in the pipeline, these represent some of the larger capital infrastructure projects by value, including the Dunedin Public Hospital Rebuild, the largest single project in the pipeline at an estimated \$1.4 billion. Within the pipeline the [Dunedin Public Hospital rebuild](#) represents three separate projects. The first is site clearance commencing 2020, followed by stages one and two of the Ambulatory Services Centre, and lastly the Acute Building and remainder of the campus.

Justice

There are 12 justice sector projects in the pipeline from the Department of Corrections. Four projects in the pipeline are valued at over \$50 million. The highest value project at over \$500 million is the Waikeria Prison development, currently under construction. This involves a new 500-bed high-security prison and a 100-bed mental health facility.

Building the Pipeline Foundations

A New Zealand pipeline which spans multiple sectors, regions and covers central and local government as well as the private sector is a challenging proposition.

While there are various infrastructure pipelines already in existence, these are specific to an agency e.g. <https://www.nzta.govt.nz/projects/>, or a region e.g. Auckland - <http://www.emergingauckland.org.nz/>. The [Australia New Zealand Infrastructure Pipeline](#) - the most well-known of the various alternatives - will benefit from the information we gather for the New Zealand infrastructure pipeline.

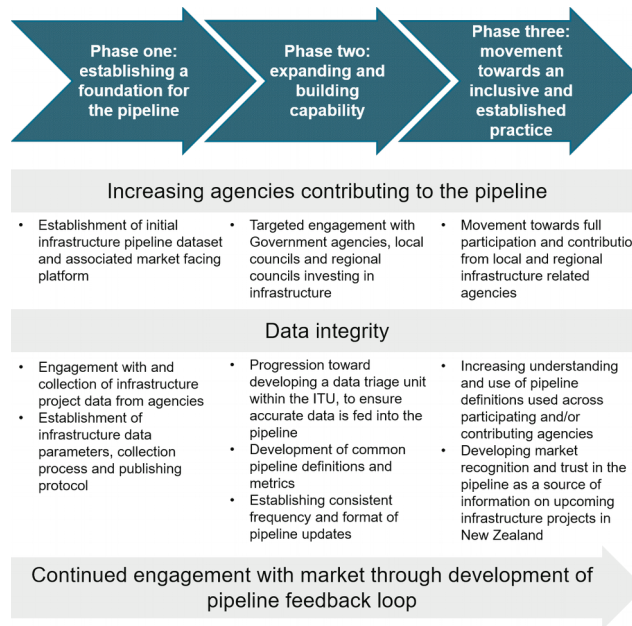
The first iteration of the pipeline covers projects proposed or in delivery over the next three years on behalf of five capital-intensive central government agencies:

- The Department of Corrections
- The Ministry of Education
- The Ministry of Health
- The New Zealand Defence Force and
- The New Zealand Transport Agency

The decision to focus initially on these agencies reflects the complexity of building and shaping the processes and protocols required to gather data across agencies. With this first iteration of the pipeline we will test and refine these processes before incorporating projects from other central government agencies (and later local government). At a later date, private sector projects will also be included.

The prototype pipeline presented here therefore represents the first phase of a longer-term, more inclusive approach. As this work unfolds, we will seek feedback to ensure the pipeline tool meets the needs of the market, central and local government and other stakeholders.

It should be noted that it is possible that known or prior publicly announced projects are not included in this first iteration of the pipeline. This may be due to lack of available data or the project undergoing further review.



Long-term infrastructure planning

The New Zealand Infrastructure Commission (the Commission) has been established to improve how we coordinate and plan our infrastructure to deliver what we need, where and when we need it. But good planning depends on good information, and good information on infrastructure spend is currently lacking.

At least every five years the Commission will develop a 30-year infrastructure plan to replace the government's current [30 year plan](#). In doing so, it will work with central government, local government, the private sector, and the New Zealand public, to build a consensus on a long-term vision that is best for New Zealand.

In determining what is needed in that plan, it is expected it will take into account long-term trends that will affect what infrastructure is needed – trends such as climate change, new technologies and demographic change. So the focus will be on broad strategy and priorities for infrastructure, not on individual projects.

The Government's ten year [capital intentions plan](#) provides a macro-level view of all known investment intentions across central and local government and the private sector. But it lacks certainty on specific projects and includes many projects that will likely not proceed during the time period.

By shining a light on the credible, committed projects expected over a five-year horizon, the pipeline will help with aligning those projects with New Zealand's longer-term infrastructure plans.

For central government at least, this includes ensuring we are prioritising the infrastructure investment that best address those needs.